12/19/86 R5650-2

JAPAN · ECONOMIC · INSTITUTE

JEI REPORT

NO. 45B
December 12, 1986

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Exchange Rates And The Japanese Economy

The yen-dollar exchange rate continues to fluctuate in a narrow range between Y160 and Y164=$1.00 following the October 31 currency agreement between Japan and the United States (see JEI Report No. 41B, November 7, 1986). Bank of Japan governor Satoshi Sumita recently praised the accord as a stabilizing force reducing uncertainty over currency values. The recent stability has been achieved, he said, without exchange market intervention by Japan's central bank.

In contrast to the yen, the West German mark has continued to appreciate against the dollar, and hence against the yen as well. The yen's 10 percent drop against the mark since July is a result of several factors, including the

addition, a committee has been set up to provide firms with information about the Japanese market. Without these actions, Seoul estimates, its deficit with Japan will reach $7.7 billion in 1991.

This is one of the few problems troubling the Korean economy, which is benefiting from low oil prices, the weak won and low interest rates. The government projects that real economic growth, which is expected to reach 12 percent this year, will continue strong at 8 percent in 1987, raising gross national product above $100 billion for the first time. It also forecasts that a 13 percent rise in exports will raise Korea's current account surplus to $5 billion in 1987, allowing it to reduce its $45 billion foreign debt.

Randall S. Jones

Polls Prove Positive In U.S.-Japan Relations

Despite continued economic disputes, surveys published recently in Japan's two largest daily newspapers indicate that support for the overall U.S.-Japan relationship is high, particularly in the United States. The Asahi Shimbun and Yomiuri Shimbun devoted several pages of their issues last week to comprehensive polls conducted by leading polling organizations in the United States and concluded that the bilateral relationship remains in sound health overall.

Perhaps the most surprising aspect of the reports is that American respondents consistently gave higher marks to the health of the relationship than their Japanese counterparts. While 59.7 percent of U.S. respondents characterized bilateral relations as good or very good in the Yomiuri poll, only 42.1 percent of the Japanese offered similar assessments. (This may be because Japanese respondents traditionally are more reluctant to express clear-cut views). Only 3.4 percent of those queried in the United States felt that relations with Japan were bad, while 16.8 percent in Japan felt that relations with this country were worsening. While favorable attitudes toward the relationship have been the rule in the United States -- with attitudes consistently recording good or very good by overwhelming margins in the last three years -- the Japanese seem to be taking a darker view. The percentage responding negatively in the most recent survey was more than twice the level of two years ago, while the good/very good category has fallen from 53 percent in 1984 to the current 42.1 percent level.

Despite these figures, the standing of the United States appears very high. The United States is at the top of the list of 30 countries for trustworthiness, with a 52.7 percent favorable rating. This was lower than the 1985 poll but still higher than the 49.6 percent of four years ago. American respondents ranked Japan only seventh in this category out of 30 nations, but higher than the previous year's results.

Perceptions of trade issues on both sides of the Pacific were mixed. Slightly under half of the Americans in the Yomiuri survey indicated that Japan has not been making sufficient efforts to liberalize its markets, a perception shared by just over 30 percent of the Japanese respondents. (Almost the same proportion said that Japan is cooperating to a "certain degree" with other

Yomiuri Shimbun Survey
December 1986

Current State of U.S.-Japan Relations

	U.S. Respondents			Japanese Respondents		
	1986	1985	1984	1986	1985	1984
Very good	14.4%	13.8%	14.8%	3.3%	2.4%	5.3%
Good	45.3	46.4	44.0	38.8	38.4	47.7
Neither good nor bad	32.0	30.1	31.7	32.1	35.0	31.5
Bad	3.4	4.0	3.2	16.8	16.9	8.1
No opinion	4.8	5.7	6.3	9.0	7.2	7.5

Outlook for Future U.S.-Japan Economic Relations

	U.S. Respondents		Japanese Respondents	
	1986	1985	1986	1984
Much better	10.8%	8.0%	1.7%	1.3%
Somewhat better	37.5	37.9	16.4	25.9
No change	28.6	24.3	46.3	42.0
Slightly worse	13.1	15.5	21.3	18.5
Much worse	1.5	2.4	2.6	2.1
Don't know	8.5	11.9	11.6	10.1

Asahi Shimbun Survey
December 1986

Present State of U.S.-Japan Relations

	U.S. Respondents	Japanese Respondents
Smooth relations	64%	48%
Poor relations	33	30
Neither	--	14
No answer	3	8

Outlook for Future Relations

	U.S. Respondents	Japanese Respondents
Favorable direction	32%	14%
Turn for worse	16	15
No change	45	56
No answer	7	15

countries to liberalize its markets.) Americans in the Asahi poll, however, had mixed feelings over the degree of openness in Japan. Respondents divided almost equally in that survey, blaming both a closed market and lack of competitiveness in the United States as the principal reasons for what they perceived as relatively low sales in Japan. (The vast majority, however, were not aware that Japan is the United States' largest market for agricultural exports.)

Analysts in the respective dailies concluded that despite the somewhat conflicting implications of the surveys, the numbers demonstrated that relations between the United States and Japan are sound and likely to remain so in the future. This is a particularly significant finding in light of the prospects for protectionist legislation in the next Congress.

Michael W. Chinworth

USTR Issues Annual Trade Barriers Report

The Office of the U.S. Trade Representative issued its second annual report on foreign trade barriers November 17. The report, required under Section 303 of the Trade and Tariff Act of 1984, lists "significant" barriers that affect U.S. exports of goods and services, American investment abroad and intellectual property rights. While the study does not claim to be comprehensive, its purpose is to identify those barriers that are most important to the United States -- whether or not they are consistent with international trade agreements.

The study outlines 12 categories of trade barriers: tariffs and other import charges; quantitative restrictions; import licensing; customs barriers; standards, labeling and certification procedures; government procurement; export subsidies; lack of intellectual property protection; countertrade and offsets; services barriers; investment barriers; and other barriers. Some 40 nations are examined in the report, up from 34 in the 1985 study. Additions include the People's Republic of China, Greece, Ireland, Kenya, Nigeria and Yugoslavia -- as well as one regional trading organization, the Middle East's Gulf Cooperation Council. The trade barriers of most nonmarket economies are excluded from the report, as are those of the United States.

Since the report is based largely on information gathered over time by the USTR, other government agencies, embassies and the private sector, those countries whose barriers have long been a focus of concern have been the subject of intensive research. The quantitative list of grievances, therefore, may not reflect the actual distribution of foreign trade barriers.

Listed last year as having 30 barriers, Japan's 1986 count is still 30:

- Tariffs and other import charges - Cigarettes and tobacco products; wood and paper products; alcoholic beverages and wine; aluminum; fresh grapefruit; walnuts; candy and chocolate confectionery.

- Quantitative restrictions - Fish products; agricultural products; leather and leather footwear.